

AR34

# ANNUAL REPORT 1979





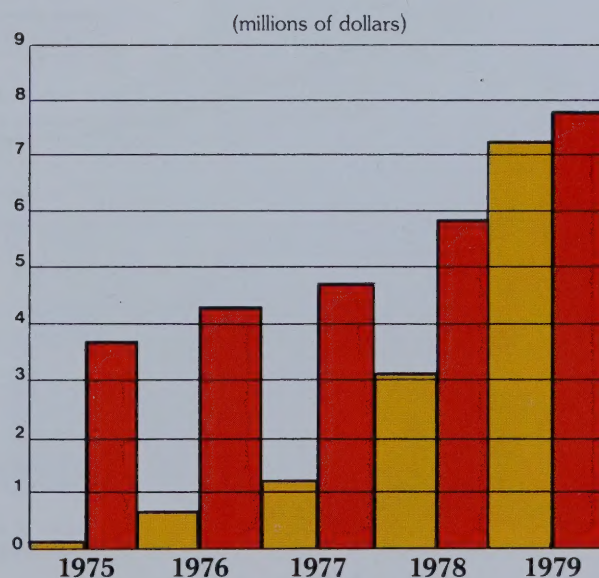
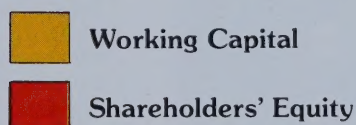
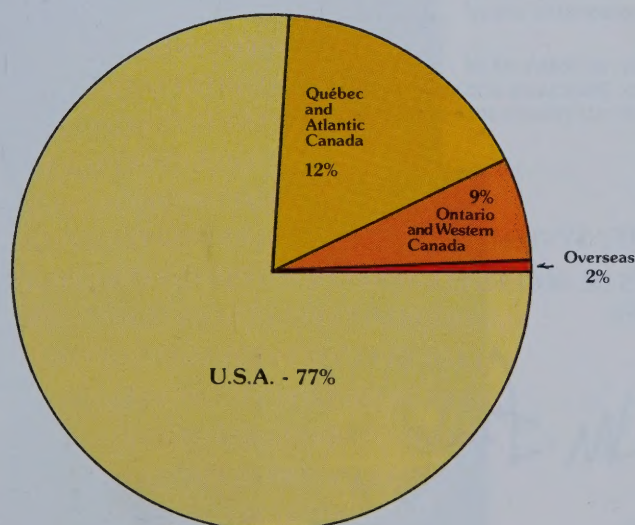
## Contents

	Page
Financial Highlights	1
Report to Shareholders	2
Unican Products	3
Consolidated Financial Statements	
Balance Sheet	4
Statement of Income and Retained Earnings	6
Statement of Changes in Financial Position	7
Notes to Consolidated Financial Statements	8
Board of Directors & Officers	12
General Information	

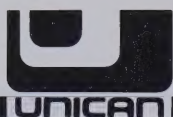
## Financial Highlights

	1979	1978
Revenues	\$34,158,135	\$28,314,393
Funds from Operations	2,351,375	2,035,881
Depreciation & Amortization	1,364,155	1,337,478
Net Income before Extraordinary Item	1,123,634	517,754
Net Income after Extraordinary Item	1,813,023	1,090,911
Working Capital	7,028,441	3,091,932
Shareholders' Equity	7,834,040	5,980,057
Earnings (Loss) per Share:		
—before extraordinary item	\$0.62	\$0.30
—after extraordinary item	\$1.00	\$0.62

### Geographical Sales Distribution







"Our major

## To our Shareholders

I am pleased to report that Unican had its best performance year ever. For the fiscal period ending June 30, 1979, earnings from operations, net income, working capital and shareholders' equity advanced to record levels.

### Operating Results (Canadian Dollars)

Sales of all products increased to \$34,158,135, a gain of 20.6% over the previous year's \$28,314,393.

Income, before income taxes and minority interests, rose 63% from \$1,290,633 to \$2,104,289, while net income is up 66% to a new high of \$1,813,023. The extraordinary gain recorded is the result of prior years' tax losses carried forward.

The significant improvement comes as the cumulative result of the past five years, during which major parts of the Company were transformed to modern production facilities and product lines were altered, eliminated and/or added, in keeping with the requirements of our market. Research and development was intensified to keep up with new applications and requirements.

### Management

As we identify the maturity and growth potential of divisions or specific product lines within the Company, these are being provided with individual management.

In line with this policy, we have this year added to our group Mr. Stan Mazoff, who has assumed overall responsibility for consumer and security products in Canada and our international export programme. Mr. Henry Marco has been appointed Assistant to the President, Capitol Industries, with overall marketing responsibility for furniture hardware, North America.

In the United States, the marketing group has been divided so as to more fully utilize specific abilities within the Company. As a result of these changes, Mr. Tony Whitley has been appointed Vice-President Sales with full responsibility for our field force. Mr. Donald Wright, Vice-President Marketing, is in charge of all national accounts, original equipment manufacturing accounts and the training of a highly-specialized detailing group which is visiting hardware stores, locksmiths and home improvement centres in order to better inform the marketplace of the many new products and services being offered by the Ilco/Unican group.

Mr. Tom Naziolla has been appointed Sales Manager of Simplex Security Systems Inc., working closely with the President, Mr. David Creedon. This division has increased sales of pushbutton keyless locks by 31% over the last twelve months.

### The Outlook

Our excellent product line, greatly improved financial condition and experienced management team enable us to look at the coming year with confidence. In spite of predictions of a recession, we commenced the new fiscal period, July 1, 1979, with the highest order backlog in our history. Our ability to produce competitively for the furniture, cabinet, do-it-yourself, security and replacement markets enables us to balance productivity in related markets and thereby enjoy a high level of manufacturing efficiency. We expect Unican to continue its growth pattern by helping all of its customers through the introduction of highly-effective, reasonably-priced products.

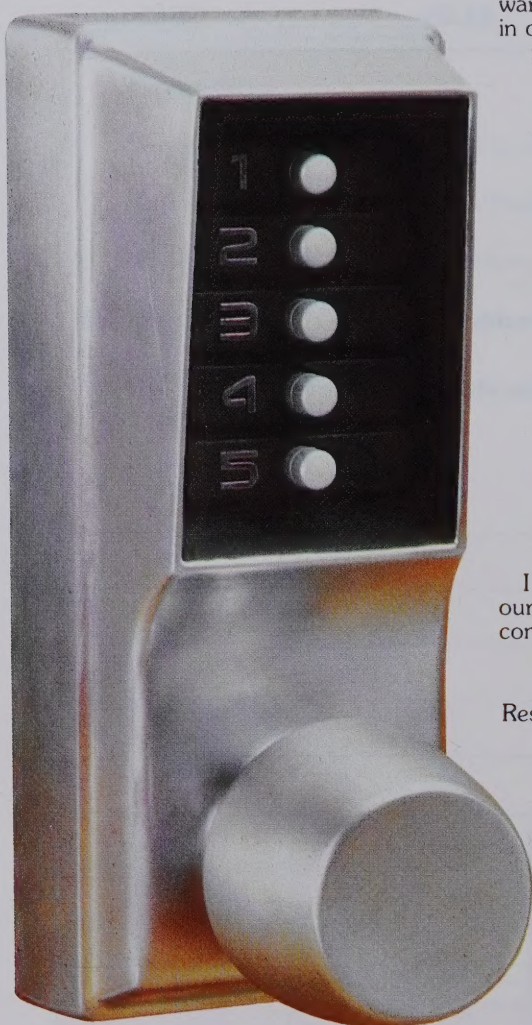
I take this opportunity to thank all of our employees, suppliers, associates and shareholders who have contributed to make this our most successful year to date.

Respectfully submitted,

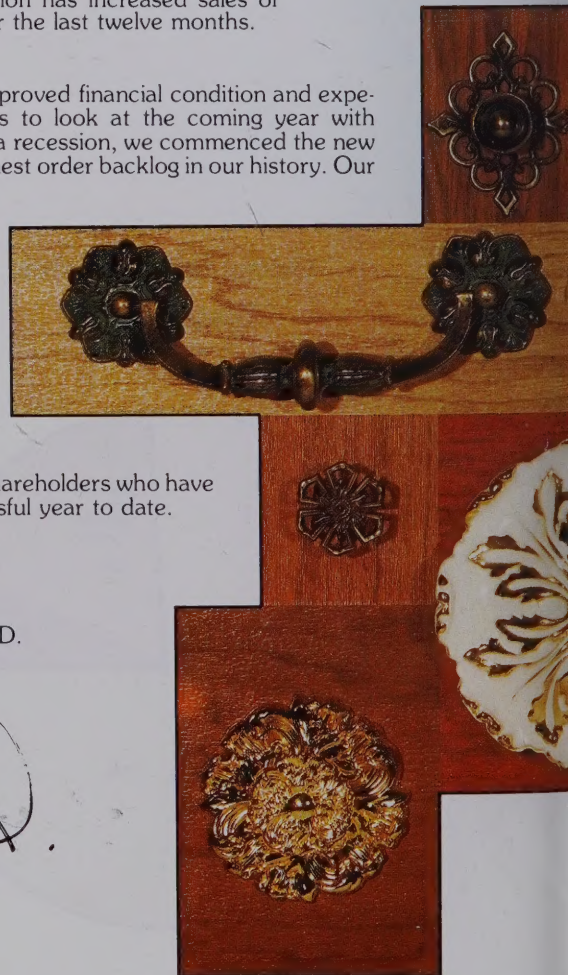
UNICAN SECURITY SYSTEMS LTD.

LES SYSTÈMES DE SÉCURITÉ  
UNICAN LTÉE

Aaron M. Fish,  
Chairman & President



Keyless pushbutton  
security locks



Furniture and

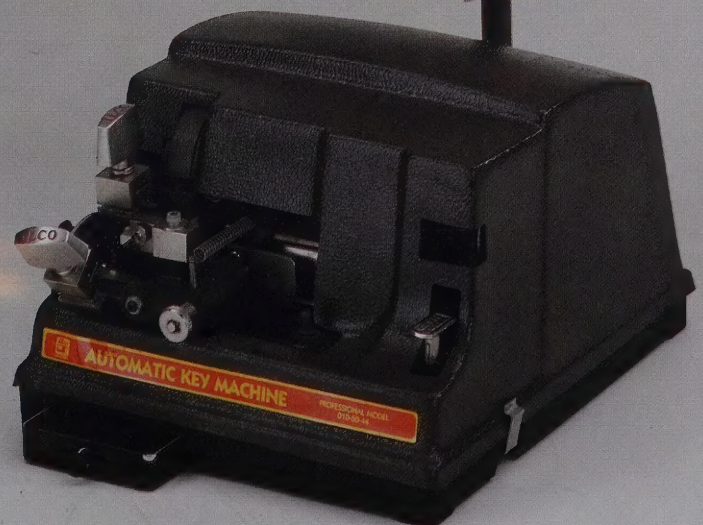
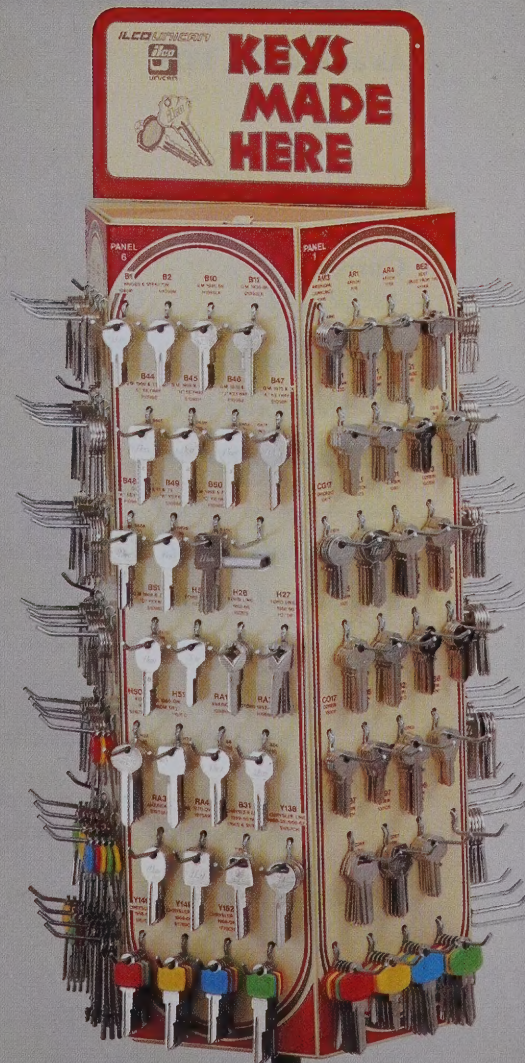


product lines”

Auxiliary deadlocks  
for home and industry



cabinet hardware



Key blanks and  
key duplicating machines





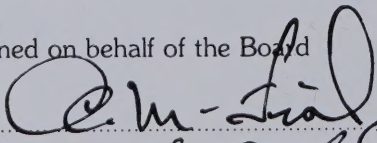
## Consolidated Balance Sheet

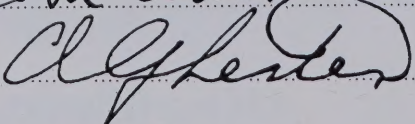
As at June 30, 1979

### ASSETS

	<u>1979</u>	<u>1978</u>
<b>Current</b>		
Cash	\$ 299,282	\$ 99,796
Receivables	5,014,515	4,337,571
Inventories (note 2)	10,656,324	8,876,741
Prepaid expenses	206,668	201,238
	<u>16,176,789</u>	<u>13,515,346</u>
Investments in and advances to 50% owned companies	200,133	193,661
Fixed assets (note 3)	<u>6,527,656</u>	<u>6,435,699</u>
<b>Other</b>		
Patents and franchise rights, at cost less accumulated amortization	103,108	126,909
Preproduction costs at new plant, less accumulated amortization	—	113,504
Other deferred expenses and deposits	—	21,143
	<u>103,108</u>	<u>261,556</u>
	<u>\$23,007,686</u>	<u>\$20,406,262</u>

Signed on behalf of the Board

 Director

 Director

## LIABILITIES

	<u>1979</u>	<u>1978</u>
<b>Current</b>		
Bank indebtedness	\$ 3,172,680	\$ 4,630,924
Payables	5,064,842	5,212,837
Income taxes	241,996	121,011
Current portion of long-term debt (note 4)	668,830	458,642
	<u>9,148,348</u>	<u>10,423,414</u>
<b>Long-term debt (note 4)</b>	<u>5,173,076</u>	<u>3,130,338</u>
<b>Deferred income taxes</b>	<u>682,795</u>	<u>729,240</u>
<b>Minority interest in a subsidiary</b>	<u>169,427</u>	<u>143,213</u>

## SHAREHOLDERS' EQUITY

<b>Capital stock</b>		
5% non-cumulative, redeemable preferred shares without nominal or par value Authorized 45,000 shares		
Common shares without nominal or par value Authorized 2,000,000 shares —issued 1,816,480 shares	5,484,831	5,484,831
<b>Contributed surplus</b>	131,193	131,193
	<u>5,616,024</u>	<u>5,616,024</u>
<b>Retained earnings</b>	2,223,773	410,750
	<u>7,839,797</u>	<u>6,026,774</u>
<b>Less cost of 2,671 (1978 —21,687) common shares held by a foreign subsidiary</b>	5,757	46,717
	<u>7,834,040</u>	<u>5,980,057</u>
	<u><u>\$23,007,686</u></u>	<u><u>\$20,406,262</u></u>



## Consolidated Statement of Income and Retained Earnings

Year ended June 30, 1979

	1979	1978
<b>Sales</b>	<b>\$34,158,135</b>	<b>\$28,314,393</b>
<b>Cost of sales and operating expenses before the undernoted items</b>	<b>29,447,755</b>	<b>24,715,631</b>
<b>Income before the undernoted items</b>	<b>4,710,380</b>	<b>3,598,762</b>
Depreciation of fixed assets	1,233,155	1,156,346
Amortization of other assets	131,000	181,132
Interest on long-term debt	616,963	315,980
Other interest	442,556	590,485
Share in net (income) losses of 50% owned companies	(7,609)	18,651
Research and development, net of government grants for 1979 — nil (1978 — \$133,200)	190,026	45,535
	<b>2,606,091</b>	<b>2,308,129</b>
<b>Income before income taxes, minority interest and extraordinary item</b>	<b>2,104,289</b>	<b>1,290,633</b>
<b>Provision for income taxes (note 5)</b>		
Current	987,871	723,803
Deferred	(46,445)	4,000
	<b>941,426</b>	<b>727,803</b>
<b>Income before minority interest and extraordinary item</b>	<b>1,162,863</b>	<b>562,830</b>
<b>Minority interest in income</b>	<b>39,229</b>	<b>45,076</b>
<b>Income before extraordinary item</b>	<b>1,123,634</b>	<b>517,754</b>
<b>Extraordinary item</b>		
Reduction of current year's income taxes on application of prior years' losses	689,389	573,157
<b>Net income</b>	<b>1,813,023</b>	<b>1,090,911</b>
<b>Retained earnings (deficit) — beginning of year</b>	<b>410,750</b>	<b>(680,161)</b>
<b>Retained earnings — end of year</b>	<b>\$ 2,223,773</b>	<b>\$ 410,750</b>
<b>Earnings per share</b>		
Before extraordinary item	\$0.62	\$0.30
After extraordinary item	\$1.00	\$0.62



## Consolidated Statement of Changes in Financial Position

Year ended June 30, 1979

	<u>1979</u>	<u>1978</u>
<b>Source of working capital</b>		
From operations —		
Income before extraordinary item	\$1,123,634	\$ 517,754
Items not affecting working capital —		
Depreciation and amortization	1,364,155	1,337,478
Profit on sale of fixed assets	(102,728)	—
Other items	(33,686)	180,649
	<u>2,351,375</u>	<u>2,035,881</u>
Extraordinary item	689,389	573,157
Sale of fixed assets	212,698	3,748
Long-term debt	2,917,500	1,300,000
Decrease (increase) in other assets	75,391	(10,064)
	<u>6,246,353</u>	<u>3,902,722</u>
<b>Use of working capital</b>		
Purchase of fixed assets	1,435,082	1,064,939
Long-term debt	874,762	962,952
Advances to 50% owned companies	—	46,709
	<u>2,309,844</u>	<u>2,074,600</u>
<b>Increase in working capital</b>	<u>3,936,509</u>	<u>1,828,122</u>
<b>Working capital — beginning of year</b>	<u>3,091,932</u>	<u>1,263,810</u>
<b>Working capital — end of year</b>	<u><u>\$7,028,441</u></u>	<u><u>\$3,091,932</u></u>



# Notes to Consolidated Financial Statements

June 30, 1979

## 1. Summary of significant accounting policies

### (a) Principles of consolidation —

These consolidated financial statements include the accounts of the company and all of its domestic and foreign subsidiaries. All intercompany accounts and significant intercompany transactions have been eliminated in consolidation. The investments in 50% owned companies are accounted for on the equity basis.

### (b) Translation of foreign currency —

Assets and liabilities carried at present prices are translated at exchange rates prevailing at year end. Assets and liabilities carried at past prices are translated at applicable historical rates. Revenues and expenses other than depreciation are translated at the average rates for the year. The gains or losses from translation procedures are included in net income.

### (c) Inventories —

Inventories are valued at the lower of standard cost and estimated net realizable value, with such standard cost approximating current cost as determined by first-in, first-out method.

### (d) Fixed assets —

Fixed assets are recorded on the basis of cost. Expenditures for major renewals and betterments are capitalized. Maintenance and repairs are charged to operations as incurred. The carrying amounts of assets sold, retired, or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts, and any resulting gains or losses are reflected in income.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets. The estimated useful lives of the principal classes of assets are —

Building	40 years
Machinery and equipment	5 — 10 years
Leasehold improvements	term of lease

### (e) Amortization of other assets —

Patents and franchise rights are amortized on a straight-line basis over their estimated useful lives, which are generally seventeen years.

### (f) Product development expenses —

All research and product development costs are charged to operations as incurred.

## 2. Inventories

	1979	1978
Finished goods	\$ 3,856,538	\$ 3,391,967
Work in process	2,917,143	2,302,420
Raw materials	3,882,643	3,182,354
	<u>\$10,656,324</u>	<u>\$ 8,876,741</u>



### 3. Fixed assets

	1979			1978
	Cost	Accumulated Depreciation	Net	Net
Land	\$ 203,906	\$ —	\$ 203,906	\$ 210,906
Building	1,862,484	255,579	1,606,905	1,676,765
Machinery and equipment	11,410,358	7,005,289	4,405,069	4,136,083
Leasehold im- provements	752,264	440,488	311,776	411,945
	<u>\$14,229,012</u>	<u>\$7,701,356</u>	<u>\$6,527,656</u>	<u>\$6,435,699</u>

### 4. Long-term debt

	1979	1978
9¼% mortgage, maturing 1999	\$1,745,523	\$1,707,021
Secured note payable to a bank, interest at prime rate plus 2%, maturing 1985	2,745,950	—
Note payable to a bank, secured by a \$2,500,000 debenture, interest at prime rate plus 2¼%, maturing 1983	1,137,500	1,267,500
5% unsecured loan	212,933	339,025
Other	—	275,434
	<u>5,841,906</u>	<u>3,588,980</u>
Current portion of long-term debt	668,830	458,642
	<u>\$5,173,076</u>	<u>\$3,130,338</u>

The company, subject to the priority rights of the 9¼% mortgage lender, has pledged all of its assets to secure the bank indebtedness and the notes payable to banks.

The aggregate payments estimated to be required in each of the next five years to meet principal retirement provisions of long-term debt agreements presently in effect are as follows —

1980	\$ 668,830
1981	532,000
1982	613,000
1983	1,263,000
1984	528,000



## 5. Income taxes

Certain companies of the group have losses for income tax purposes sustained in prior years which may be used to reduce their taxable incomes in future years as follows —

Deduction available until	
1980	\$ 93,000
1982	134,000
1983	251,000
	<u>\$478,000</u>

Certain of the company's United States subsidiaries have additional benefits available which may be used to reduce income taxes payable in future years. These benefits aggregate approximately \$118,000.

## 6. Contingency

The nature and size of the amounts due to the pension plans of Ilco Corporation, a wholly-owned subsidiary, are not determinable at this time by the company and legal counsel.

## 7. Commitments under long-term leases

- (a) The company has an option to purchase a building presently leased from certain directors. The rent is \$48,000 per annum reducing by \$2,000 per annum until the lease expires in fiscal 1984. The option to purchase can be exercised for the sum of \$425,000, the total purchase price of the directors, plus imputed compound interest of 3% per annum from December, 1969.

- (b) Rental commitments under significant non-cancellable leases are estimated for each of the next five years as follows—

1980	\$154,000
1981	140,000
1982	138,000
1983	136,000
1984	134,000

## 8. Remuneration of directors and officers

The aggregate direct remuneration of directors and senior officers as defined under The Securities Act (Ontario) amounted to \$343,000 in 1979 and \$290,000 in 1978.



## Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Unican Security Systems Ltd. — Les Systèmes de Sécurité Unican Ltée as at June 30, 1979 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at June 30, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading 'Ruby Stein & Wagner'.

Chartered Accountants — Comptables Agréés

Montreal, Quebec  
August 29, 1979



## Directors & Officers

### Directors

**Aaron M. Fish**

Chairman of the Board

**Mrs. Betty Fish**

**Solomon I. Belzberg, B. Sc., P. Eng.**  
President, Capitol Industries Ltd.

**Ira Milton Jones**

Patent Attorney

**Alexander G. Lester**

Retired Executive Vice-President, Bell Canada

**David Stendel, C.A.**

Partner, Stendel, Fruchter & Co.

**Gerald D. Sutton**

President, C.E.D. Ltd.

**Jack L. Switzer, B. Sc., P. Eng.**

President, Richmond Die Casting Ltd.

### Officers

**Aaron M. Fish**

Chairman of the Board, President

**David Stendel, C.A.**

Secretary

**Solomon I. Belzberg, B. Sc., P. Eng.**

Vice-President Manufacturing

**Joseph H. Schlessel, B.E.E., M.I.E., P.E.**

Executive Vice-President - Unican, U.S.A.

**Kenneth D. Shulman, B. Comm., C.A.**

Treasurer and Controller

**David Creedon**

President, Simplex Security Systems, Inc.

**Donald Wright**

Vice-President Marketing, Consumer Products - U.S.A.

**Tom Molnar, B. Comm.**

Vice-President Sales, Furniture Hardware - Canada

**Henry Marco**

Vice-President Marketing, Furniture Hardware

**Andrew H. Janelle, B.S.I.E.**

Vice-President Operations - Unican, U.S.A.

**William R. Todd.**

Director of Engineering - Unican, U.S.A.

**Tony H. Whitley**

Vice-President Sales, Consumer Products - U.S.A.



## General Information

### Head Office

5795 De Gaspé Ave.,  
Montreal, Que. H2S 2X3  
(514) 273-0451

### Auditors

Ruby, Stein & Wagner  
La Tour, La Cité  
300 rue Leo Pariseau  
Suite 1900  
Montreal, Que.

### Counsel

Johnston, Heenan & Blaikie,  
4 Place Ville Marie,  
Montreal, Que. H3B 2G1

Bowditch and Dewey  
311 Main St.,  
Worcester, Mass. 01608

Biggs, Meadows, Batts & Winberry,  
225 South Franklin St.  
Rocky Mount, N.C. 27801

### Stock Exchanges

Montreal & Toronto Stock Exchanges,  
Symbol UCS

### Registrar — Transfer Agents

Royal Trust Company,  
Montreal, Toronto

### Bankers

Bank of Montreal  
119 St. James W.  
Montreal, Que.

Rhode Island Hospital Trust  
National Bank  
One Hospital Trust Plaza  
Providence, Rhode Island  
02903

Peoples Bank & Trust Company  
Rocky Mount, N.C.

### Subsidiaries

Capitol Industries Ltd.,  
5795 De Gaspé Ave.,  
Montreal, Que. H2S 2X3

Ilco Corporation,  
Fitchburg, Mass. 01420

Ilcorop S.A.,  
Rue Ami Lullin 3,  
Genève, Switzerland 1207

Simplex Security Systems, Inc.,  
10 Front Street  
Collinsville, Conn. 06022

Unican Security Systems, Corp.,  
Beekmantown Rd.  
Industrial Center  
Plattsburg, N.Y. 12901  
400 Fawn Drive  
Rocky Mount, N.C. 27801

Unikis Japan Co. Ltd.,  
25 Yokobori-Chome,  
Minami-Ku, Osaka, Japan



